

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Unit Name VILLAGE OF DIMONDALE	County WASHTENAW	Type VILLAGE	Municode
Opinion Date APRIL 23, 2008	Audit Submitted JUNE 24, 2008	Fiscal Year FEBRUARY 29, 2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1.	Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2.	Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3.	Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4.	Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5.	Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6.	Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7.	Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8.	Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9.	Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10.	Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11.	Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12.	Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13.	Is the audit opinion unqualified?
	14.	If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15.	Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16.	Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17.	To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18.	Are there reported deficiencies?
<input type="checkbox"/>	19.	If so, was it attached to the audit report?

General Fund Revenue	\$ 491,343	General Fund Balance	\$ 301,804
General Fund Expenditure	421,152	Governmental Activities Long-Term Debt (see instructions)	148.887
Major Fund Deficit Amount	-0-		

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

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CPA Firm Name Karl L. Drake, P.C.	Unit's Street Address 3775 Kimmel Rd	City Horton Zip Code 49246

VILLAGE OF DIMONDALE

FINANCIAL STATEMENTS

FEBRUARY 29, 2008

**KARL L. DRAKE
CERTIFIED PUBLIC ACCOUNTANT**

VILLAGE OF DIMONDALE

Village Office:

136 N. Bridge St., P.O. Box 26
Dimondale, Michigan 48821 (517) 646-0230

Village Officers:

Michael D. Chappell, Village President

Denise M. Parisian, Village Manager

James E. Albertson, Street Administrator

Charles Cribbley, Fire Marshall

Amy Summers, Code Enforcement Officer

Village Trustees:

Roland Self

Terry Rood

Garry Macak

Scott Ammarman

Beth E. Everson

Ralph Reznick

VILLAGE OF DIMONDALE

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Dimondale
Dimondale, Michigan 48821

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund, of the Village of Dimondale, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Dimondale's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund, of the Village of Dimondale as of February 29, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2008, on our consideration of the Village of Dimondale's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Village Council
Village of Dimondale

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 31-34 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dimondale's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

April 23, 2008

This section of the Village of Dimondale's annual financial report presents discussion and analysis of the Village's financial performance during the fiscal year ended February 29, 2008. It is best read in conjunction with the Village's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Dimondale financially and the two types of statements present different views of the Village. The government-wide statements reflect information about the activities of the entire Village, presenting an aggregate view and a longer-term view of the Village's overall financial status. The fund financial statements focus on individual components of Village government, reporting the Village's operations in more detail and demonstrating how services were financed in the short term.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Village's net assets - the difference between assets and liabilities- as one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village, the reader needs to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's streets.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. The Village charges user fees to cover the costs of providing this service.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. The Village Council establishes funds as needed to help control and manage money for particular purposes or to demonstrate that legal responsibilities are being met.

The Village currently has two types of funds:

Governmental funds - Most of the Village's basic services are included in governmental funds, which focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village that helps determine whether there are more or less resources that can be spent in the near future to finance the Village's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

Proprietary funds - Services for which the Village charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Village's enterprise fund, the Sewer Fund, is a type of proprietary fund.

The Village as a Whole

The statement of net assets presents the perspective of the Village as a whole. Table 1 provides a comparison of the Village's net assets for February 29, 2008 and February 28, 2007, in thousands of dollars.

TABLE 1	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and Other Assets	\$ 503.1	\$ 383.8	\$ 149.5	\$ 125.3	\$ 652.6	\$ 509.1
Capital Assets	2,329.0	2,522.4	7,042.7	7,321.9	9,371.7	9,844.3
TOTAL ASSETS	2,832.1	2,906.2	7,192.2	7,447.2	10,024.3	10,353.4
LIABILITIES						
Current Liabilities	13.2	12.5	2.8	1.5	16.0	14.0
Long-Term Liabilities	142.4	139.6	15.2	11.5	157.6	151.1
TOTAL LIABILITIES	155.6	152.1	18.0	13.0	173.6	165.1
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	2,329.0	2,522.4	7,042.7	7,321.9	9,371.7	9,844.3
Restricted	---	---	---	---	---	---
Unrestricted	347.5	231.7	131.5	112.3	479.0	344.0
TOTAL NET ASSETS	\$ 2,676.5	\$ 2,754.1	\$ 7,174.2	\$ 7,434.2	\$ 9,850.7	\$ 10,188.3

Long-term debt in the governmental activities consists primarily of approximately \$90,000 of assessment due to the Eaton County Drain Commission for repairs made to the Dimondale Estates Drain in 2006. Accumulated sick time for Village employees accounts for the remaining long-term debt in both the governmental and business-type activities.

The Village as a Whole (Continued)

Total assets in both the governmental activities and business-type activities declined slightly due to depreciation and limited capital investment activity. In 2006, capital improvements were made in the area of Halls and Grounds, with the installation of a new well and the purchase of street lamps, as well as a significant improvement for Local Streets with the resurfacing of all of the roads in Dimondale Estates (\$215,000). In 2007, assets increased slightly with the addition of park equipment in the Lions Park (\$4,200). The business-type activities made capital improvements in 2006 to the fuel tank facility and building 400 (\$11,400) at the Sewer Plant, and in 2007, the ultraviolet system was upgraded (\$28,800). The Village's combined net assets were \$9.8 million at February 29, 2008, reflecting a decrease of \$0.3 million from 2007. Capital assets (net of related debt) totaling \$9.4 million compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis. The Village continues to maintain no restricted net assets in the governmental and business-type activities. (Restricted net assets are reported separately to reflect any assets that cannot be used for daily operations due to legal constraints from debt covenants.) The \$479,000 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the past two fiscal years and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUE						
Program Revenue						
Charges for services	\$ 6.9	\$ 2.5	\$ 336.1	\$ 335.0	\$ 343.0	\$ 337.5
Operating Grants	1.5	---	---	---	1.5	---
General Revenue						
Property taxes	325.8	310.1	---	---	325.8	310.1
State entitlements	195.7	395.2	---	---	195.7	395.2
Interest earnings	17.2	16.0	4.9	3.1	22.1	19.1
Other	47.3	48.4	---	---	47.3	48.4
TOTAL REVENUE	594.4	772.2	341.0	338.1	935.4	1,110.3
EXPENSES						
General Government	255.6	227.6	---	---	255.6	227.6
Public Safety	8.8	9.1	---	---	8.8	9.1
Public Works	183.4	169.0	---	---	183.4	169.0
Recreation	17.4	323.7	---	---	17.4	323.7
Interest On Long Term Debt	4.8	6.6	---	---	4.8	6.6
Depreciation (Unallocated)	202.1	198.8	---	---	202.1	198.8
Sewer	---	---	600.9	600.2	600.9	600.2
TOTAL EXPENSES	672.1	934.8	600.9	600.2	1273.0	1,535.0
CHANGE IN NET ASSETS	\$ -77.7	\$ -162.6	\$ -259.9	\$ -262.1	\$ -337.6	\$ -424.7

Governmental Activities

Total net assets in the governmental activities decreased by \$77,000 in the fiscal year ending February 29, 2008. The primary reasons for this decline are depreciation (\$202,000) and a general trend toward flat revenues and increasing operational costs. Miscellaneous revenue benefited from the sale of two small pieces of Village property to adjacent owners, and a Parks and Recreation Grant from Eaton County. Recreation-related expenses were inflated by the cost of the final survey for the dam removal project (\$11,000). This work completed the dam project which was expensed in the previous fiscal year and primarily funded by a DNR fisheries grant and in-kind services donated by McKenzie Companies. Overall, operating costs remained relatively constant between the two fiscal years, demonstrating the Village's commitment to maintaining services and improving infrastructure while holding costs down. The Capital Improvement Plan paces major projects in order to manage cash flow. The fiscal year 2007-08 was targeted for recovery from the previous year's roadwork and dam project. Without an increase in the millage rate or other revenue sources, current economic conditions dictate the need to delay improvements until funds accumulate.

Business-type Activities

The Village's business-type activity consists of the Sewer Fund. This fund also experienced a decrease in net assets (\$259,000), which can be attributed primarily to depreciation (\$308,000). Significant revenue increases from activity by Ball Septic for contracted treatment services offset a decline in user fees resulting from the closure of Windsor Mountain Grille and an increase in delinquent accounts. Expenditures between the fiscal years remained stable and can be attributed to the concerted efforts of staff and management to improve efficiency and the benefit of a more proactive approach to maintenance activities.

The Village's Funds

Analysis of the Village's major funds follows the government-wide financial statements. As noted earlier, the Village creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Village's major governmental funds are the General Fund, the Major Streets Fund, and the Local Streets Fund.

The General Fund pays for most of the Village's governmental services and funds capital improvements in the streets funds. The General Fund is supported mainly by property taxes and state-shared revenue, while the streets funds are financed by the state gas and weight tax, and transfers from the General Fund. As we completed the year, the governmental funds reported a combined fund balance of \$485,000, which is an increase of \$118,700 over the previous year. This increase can be attributed to the limited capital improvement activity and is anticipated in a year without major infrastructure work.

VILLAGE OF DIMONDALE

Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget in response to changing conditions and opportunities. The most significant adjustments were due to the following circumstances:

- An increase in Trees (\$6,000) for the removal of infected Ash Trees and their replacement in the Rumsey Subdivision.
- Increases in Vehicle Expense (\$500) for tires for the Kenworth; Capital Outlay (\$4,500) for a snow plow blade for the Dodge; and Christmas Decorations (\$1,250) for new wreath light strands, were offset by decreases in Sidewalks, Equipment Maintenance and Engineering.

With these amendments and other inter-activity adjustments, total actual expenditures in the General Fund were \$126,430 below final budget amounts. Approximately \$90,000 of this difference is due to the Council's decision to delay a total payoff of a drain assessment to Eaton County.

Capital Asset and Debt Administration

At the end of the 2007-08 fiscal year, the Village managed capital assets valued at over \$9.3 million including property, buildings, roads, drains, equipment, and sewer lines. Approximately \$6 million represents investment in the wastewater treatment plant and sewer lines by Windsor Township.

The remaining \$90,000 of drain assessment and employee compensated absences account for all of the Village's long-term debt.

	Capital Assets Net of Accumulated Depreciation (dollars are in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Non-Depreciable Assets						
Land	\$ 191	\$ 191	\$ 55	\$ 55	\$ 246	\$ 246
Depreciable Assets						
Buildings	90	94	63	75	153	169
Improvements Other than Buildings	1,987	2,176	6,919	7,175	8,906	9,351
Furniture, Machinery, and Equipment	61	6	6	17	67	78
Total	\$ 2,329	\$ 2,522	\$ 7,043	\$ 7,322	\$ 9,372	\$ 9,844

Economic Factors and Next Year's Budgets and Rates

Funds available for appropriation in the 2008-09 General Fund Budget are \$556,150, which represents a slight decrease (\$6,000) from last year. (The 2007-08 budget included \$100,000 in funds for payoff of the Eaton County drain assessment, which the Council ultimately decided to delay in order to

maintain appropriate fund balances and sufficient cash flow.) Revenues are budgeted slightly lower with anticipated decreases in interest and franchise fees offsetting the minimal increase in tax revenue and no growth in revenue sharing. The 2008-09 Budget is built on the current millage rate (10 mills) and addresses a major capital improvement in the local streets. Funds are allocated in the General Fund budget for the reconstruction of Hamilton Street (between Bridge and Jefferson Streets) and Elm Street (between Jefferson and Hamilton Streets) in the amount of \$100,000. In an effort to reduce the Village's cost of employee benefits, employees will contribute 2% of wages toward the MERS defined benefit retirement plan in the coming year. Additionally, the employees took a reduction in health care benefits in order to limit the increase at renewal to less than 7%. Two recreational improvements are planned for the 08-09 fiscal year - development of a picnic area at the end of W. Washington and removal of debris at the north end of the mill race. Both projects are supported by grants and community donations and will result in very minimal expense for the Village. A new three-year contract was negotiated with Waste Management in early 2008, which resulted in a 7% increase over current rates and an annual 3% increase thereafter. All things considered, budgeted expenses in the General Fund are only slightly higher than last year (\$10,000).

The 2008-09 Budgets in the Streets Funds focus on the road improvements mentioned above. An Asset Management Plan has been submitted to and approved by the Traffic Asset Management Council, which will allow the transfer of accumulated funds in the Major Streets Fund to the Local Streets Fund for this purpose. The total estimated cost to the Village for this project is \$280,000 with contributions from all three funds (General, Major, Local). In all other respects, the streets funds' budgets reflect the historical levels of funding and spending from previous years.

As for the Village's business-type activity, an 8% rate increase will support budgeted operations, improvements and the accumulation of funds for future equipment replacement and capital needs. Previous increases in 2006 and 2005 (the first in over 10 years) addressed projected shortfalls due to the increasing cost of operations and contributed to building funds for capital replacement needs. A rate study is conducted each year to determine if an increase is necessary to support current operations and future requirements. Capital improvements, in the new budget, are limited to replacement of the Ford 250 Pickup truck, which was previously budgeted for 07-08 but unavailable for purchase. The 2008-09 Budget anticipates start-up of the laboratory and elimination of this contracted service, resulting in an estimated savings in excess of \$10,000. This budget also launches a five-year program for televising the sewer mains and continues a five-year program for pump maintenance. With the items noted, excluding depreciation, expenses for the 2008-09 fiscal year are budgeted only slightly higher than the previous year (\$10,500).

Contacting the Village's Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Manager, 136 N. Bridge Street, Dimondale, MI 48821.

VILLAGE OF DIMONDALE

STATEMENT OF NET ASSETS

FEBRUARY 29, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 460,306	\$ 95,945	\$ 536,251
Due From Other Governmental Units	8,552	---	8,552
Accounts Receivable	19,365	33,450	52,815
Prepaid Expenditures	14,955	20,169	35,124
Total Current Assets	503,178	149,564	652,742
Non-current Assets			
Capital Assets	4,758,215	10,288,769	15,046,984
Less: Accumulated Depreciation	-2,429,292	-3,246,097	-5,675,389
Total Non-current Assets	2,328,923	7,042,672	9,371,595
TOTAL ASSETS	\$ 2,832,101	\$ 7,192,236	\$ 10,024,337
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 6,676	\$ 2,790	\$ 9,466
Accrued Interest	---	---	---
Assessment Payable (Due within One Year)	6,481	---	6,481
Total Current Liabilities	13,157	2,790	15,947
Non-current Liabilities			
Assessment Payable	77,771	---	77,771
Compensated Absences and Severance Pay	64,635	15,169	79,804
Total Non-current Liabilities	142,406	15,169	157,575
TOTAL LIABILITIES	155,563	17,959	173,522
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	2,328,923	7,042,672	9,371,595
Unrestricted	347,615	131,605	479,220
TOTAL NET ASSETS	2,676,538	7,174,277	9,850,815
TOTAL LIABILITIES AND NET ASSETS	\$ 2,832,101	\$ 7,192,236	\$ 10,024,337

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 29, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants	Governmental Activities	Business- Type Activities	Total
	Expenses					
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 255,556	\$ ---	\$ ---	\$ -255,556	\$ ---	\$ -255,556
Public Safety	8,758	---	---	-8,758	---	-8,758
Public Works	183,441	5,536	---	-177,905	---	-177,905
Recreational and Cultural	17,353	1,395	1,500	-14,458	---	-14,458
Interest on Long-Term Debt	4,854	---	---	-4,854	---	-4,854
Depreciation (Unallocated)	<u>202,126</u>	<u>---</u>	<u>---</u>	<u>-202,126</u>	<u>---</u>	<u>-202,126</u>
Total Governmental Activities	<u>672,088</u>	<u>6,931</u>	<u>1,500</u>	<u>-663,657</u>	<u>---</u>	<u>-663,657</u>
Business-Type Activities						
Sewer	<u>600,869</u>	<u>336,089</u>	<u>---</u>	<u>---</u>	<u>-264,780</u>	<u>-264,780</u>
Total Activities	<u>\$ 1,272,957</u>	<u>\$ 343,020</u>	<u>\$ 1,500</u>	<u>\$ -663,657</u>	<u>\$ -264,780</u>	<u>\$ -928,437</u>
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 325,833	\$ ---	\$ 325,833
Property Taxes, Levied for Debt Service				---	---	---
State of Michigan Aid, Unrestricted				195,708	---	195,708
Interest Earnings				17,202	4,858	22,060
Other				<u>47,256</u>	<u>---</u>	<u>47,256</u>
Total General Revenue				<u>585,999</u>	<u>4,858</u>	<u>590,857</u>
CHANGE IN NET ASSETS				-77,658	-259,922	-337,580
NET ASSETS - BEGINNING OF YEAR				<u>2,754,196</u>	<u>7,434,199</u>	<u>10,188,395</u>
NET ASSETS - END OF YEAR				<u>\$ 2,676,538</u>	<u>\$ 7,174,277</u>	<u>\$ 9,850,815</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF DIMONDALE

Governmental Funds

BALANCE SHEET

FEBRUARY 29, 2008

	General	Major Streets	Local Streets	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 282,558	\$ 156,792	\$ 20,956	\$ 460,306
Accounts Receivable	17,624	717	---	18,341
Due from Other Governmental Units	---	6,343	2,209	8,552
Due from Other Funds	3,395	---	---	3,395
Prepaid Expenditures	14,955	---	---	14,955
TOTAL ASSETS	\$ 318,532	\$ 163,852	\$ 23,165	\$ 505,549
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 6,297	\$ 177	\$ 202	\$ 6,676
Due to Other Funds	---	1,478	893	2,371
Deferred Revenue	10,431	---	---	10,431
TOTAL LIABILITIES	16,728	1,655	1,095	19,478
FUND BALANCES				
Reserved for Debt Service	---	---	---	---
Unreserved, Designated	1,342	---	---	1,342
Unreserved and Undesignated	300,462	162,197	22,070	484,729
TOTAL FUND BALANCES	301,804	162,197	22,070	486,071
TOTAL LIABILITIES AND FUND BALANCES	\$ 318,532	\$ 163,852	\$ 23,165	\$ 505,549
TOTAL GOVERNMENTAL FUND BALANCES				\$ 486,071
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets is				\$ 4,758,215
Accumulated Depreciation is				<u>-2,429,292</u>
				2,328,923
Long-term Liabilities are not due and payable in the current period and are not reported in the fund:				
Assessment Payable				-84,252
Compensated absences				-64,635
Accrued interest is not included as a liability in governmental funds				---
Deferred property tax revenue				<u>10,431</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES				<u>\$ 2,676,538</u>

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED FEBRUARY 29, 2008

	General	Major Streets	Local Streets	Totals
REVENUE				
Property Taxes	\$ 326,248	\$ ---	\$ ---	\$ 326,248
State Grants	106,877	64,820	24,011	195,708
Charges for Services	176	2,028	---	2,204
Interest	10,786	6,009	407	17,202
Other	47,256	---	---	47,256
TOTAL REVENUE	491,343	72,857	24,418	588,618
EXPENDITURES				
General Government	228,209		---	228,209
Public Safety	8,758	---	---	8,758
Public Works	147,143	25,399	10,899	183,441
Recreational and Cultural	17,353	---	---	17,353
Debt Service	11,335	---	---	11,335
Capital Outlay	8,354	---	13,842	22,196
TOTAL EXPENDITURES	421,152	25,399	24,741	471,292
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	70,191	47,458	-323	117,326
OTHER FINANCING SOURCES <USES>				
Operating Transfers In	---	---	---	---
Operating Transfers Out	---	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---	---
NET CHANGE IN FUND BALANCES	70,191	47,458	-323	117,326
FUND BALANCES - BEGINNING OF YEAR	231,613	114,739	22,393	368,745
FUND BALANCES - END OF YEAR	\$ 301,804	\$ 162,197	\$ 22,070	\$ 486,071

See Accompanying Notes to Financial Statements.

VILLAGE OF DIMONDALE

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 29, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 117,326**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

-202,126

Capital Outlay

8,620

-193,506

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

- Repayments of assessment principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

6,481

- Property tax revenue not collected is deferred in the governmental funds but not in the statement of activities

-415

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds

-7,544

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ -77,658

STATEMENT OF NET ASSETS**FEBRUARY 29, 2008**

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 95,945
Accounts Receivable	33,450
Prepaid Expenses	<u>20,169</u>
Total Current Assets	<u>149,564</u>
Non-current Assets	
Capital Assets	<u>7,042,672</u>
TOTAL ASSETS	<u>\$ 7,192,236</u>
 LIABILITIES	
Current Liabilities	
Compensated Absences	\$ 15,169
Accounts Payable	1,766
Due to Other Funds	<u>1,024</u>
Total Current Liabilities	17,959
Long-Term Liabilities	<u>---</u>
TOTAL LIABILITIES	<u>\$ 17,959</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 7,042,672
Restricted for Debt Service	---
Unrestricted	<u>131,605</u>
TOTAL NET ASSETS	<u>\$ 7,174,277</u>

VILLAGE OF DIMONDALE

Proprietary Fund

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Sewer Fund</u>
OPERATING REVENUE	
Charges for Services	<u>\$ 336,089</u>
OPERATING EXPENSES	
Salaries	62,550
Employee Benefits	24,222
Office Supplies	5,335
Contractual Services	69,953
Supplies and Chemicals	19,046
Maintenance	15,114
Utilities	54,496
Insurance	10,285
Communication	5,283
Transportation	184
Sludge Application	19,232
Depreciation	308,072
Other	2,900
Professional Fees	<u>4,197</u>
TOTAL OPERATING EXPENSES	<u>600,869</u>
OPERATING INCOME <LOSS>	-264,780
NON-OPERATING REVENUE	
Interest	<u>4,858</u>
CHANGE IN NET ASSETS	-259,922
NET ASSETS - BEGINNING	<u>7,434,199</u>
NET ASSETS - ENDING	<u><u>\$ 7,174,277</u></u>

See Accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Sewer Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 318,223
Cash Payments for Goods and Services	-204,723
Cash Payments to Employees	-58,928
Cash Payments for Employee Benefits	<u>-24,222</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>30,353</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Other Government	<u>---</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>---</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Receipts of Interest and Dividends	4,858
Sale of Assets	---
Purchase of Assets	<u>-28,820</u>
NET CASH PROVIDED <USED> BY INVESTING ACTIVITIES	<u>-23,962</u>
NET INCREASE IN CASH	6,391
CASH - BEGINNING OF YEAR	<u>89,554</u>
CASH - END OF YEAR	<u><u>\$ 95,945</u></u>
RECONCILIATION OF OPERATING INCOME <LOSS> TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income <Loss>	\$ -264,780
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	308,072
Decrease <Increase> in Accounts Receivable	-18,735
Decrease < Increase > in Prepaid Expenses	872
Increase <Decrease> in Accounts Payable	<u>4,924</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 30,353</u></u>

See Accompanying Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY:

The Village of Dimondale is a general law village located in Eaton County, Michigan. The Village operates under an elected council consisting of seven members and provides various services to its 1,342 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major Street Fund and Local Street Fund.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. BASIS OF PRESENTATION (CONTINUED)

PROPRIETARY FUNDS (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. BUDGETS AND BUDGETARY ACCOUNTING:

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES:

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1, of the subsequent year. Taxes are due and payable as of September 14. The County of Eaton prepares the tax bills for the Village of Dimondale, and the Village collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after September 14, at which time the uncollected real taxes are returned to Eaton County for collection and to be added to the delinquent tax rolls. The County of Eaton purchases delinquent real property taxes of the Village of Dimondale. The County sells tax notes, the proceeds of which are used to pay the Village for the taxes. Such proceeds are included in the current year in the accompanying financial statements.

The Village is authorized to assess 12.5 mills for general operations. Millage rates levied for 2007 were 10.000 mills for operations. Total taxable value of real and personal property in the Village was \$32,243,100.

The Village is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS:

The Village considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS:

The Village does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

H. FUND EQUITY:

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-10 years
Other equipment	5-20 years

J. LONG-TERM OBLIGATIONS: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS: Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. RISK MANAGEMENT: The Village is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

M. ESTIMATES: The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Village, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).

3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village is in compliance with State law regarding their cash deposits.

The Village maintains all of its cash deposits at two banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

Deposits	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured & Uncollateralized	<u>336,251</u>	<u>374,005</u>
Total Deposits	<u>\$ 536,251</u>	<u>\$ 574,005</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at February 29, 2008.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

The Due from Other Governmental Units at February 29, 2008, is comprised of the following:

Major Streets Fund	
State of Michigan	\$ 6,343
Local Streets Fund	
State of Michigan	<u>2,209</u>
	<u>\$ 8,552</u>

NOTE 5 - DUE TO/FROM OTHER FUNDS

Due to/due from at February 29, 2008, consisted of the following:

Due To:		Due From:	
General Fund	\$ 1,024	Sewer Fund	\$ 1,024
General Fund	1,478	Major Streets	1,478
General Fund	<u>893</u>	Local Streets	<u>893</u>
	<u>\$ 3,395</u>		<u>\$ 3,395</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the Village's Governmental activities was as follows:

	Balance March 1, 2007	Additions and Adjustments	Disposals and Adjustments	Balance February 29, 2008
Assets not being depreciated:				
Land	\$ 191,000	\$ ---	\$ ---	\$ 191,000
Capital assets being depreciated:				
Building and building improvements	196,211	4,266	---	200,477
Vehicles	172,807	4,354	---	177,161
Furniture and equipment	43,221	---	---	43,221
Infrastructure	4,146,356	---	---	4,146,356
Subtotal	4,558,595	8,620	---	4,567,215
Accumulated depreciation:				
Building and building improvements	102,180	7,951	---	110,131
Vehicles	120,434	2,382	---	122,816
Furniture and equipment	34,397	2,221	---	36,618
Infrastructure	1,970,155	189,572	---	2,159,727
Subtotal	2,227,166	202,126	---	2,429,292
Net capital assets being depreciated	2,331,429	-193,506	---	2,137,923
Net capital assets	\$ 2,522,429	\$ -193,506	\$ ---	\$ 2,328,923

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

Capital asset activity of the Village's Business-type activities was as follows:

	Balance March 1, 2007	Additions	Disposals and Adjustments	Balance February 29, 2008
Assets not being depreciated:				
Land	\$ 54,544	\$ ---	\$ ---	\$ 54,544
Capital assets being depreciated:				
Building and building improvements	488,039	---	---	488,039
Sewer System	9,695,440	28,820	-15,535	9,739,795
Equipment	149,656	---	143,265	6,391
Subtotal	10,333,135	28,820	127,730	10,234,225
Accumulated depreciation:				
Building and building improvements	412,450	12,277	---	424,727
Sewer System	2,520,469	279,620	-15,535	2,815,624
Equipment	132,836	16,175	143,265	5,746
Subtotal	3,065,755	308,072	127,730	3,246,097
Net capital assets being depreciated	7,267,380	-279,252	---	6,988,128
Net capital assets	\$ 7,321,924	\$ -279,252	\$ ---	\$ 7,042,672

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED

The Village contributes to an agent multiple-employer defined benefit pension plan covering substantially all its full-time employees. The plan is operated through the State of Michigan Municipal Employees Retirement System (MERS). The most recent period for which actuarial data is available was for the calendar year ended December 31, 2006. The Village makes monthly contributions to the plan equal to the amount accrued for pension expense. The total pension expense for the fiscal year ended February 29, 2008, was \$ 24,161, which includes amortization of past service costs over 30 years.

The Village's total current year payroll was \$215,019 for the employees participating in the plan. The Village's total payroll for all employees was \$238,685.

The MERS is regulated under Act No. 427 of the Public Acts of 1984, MCL 38.1501 ~~et seq.~~ as last amended by 1996 PA 220.

Members do not contribute any annual compensation

Benefits vest with ten years of service, with rights to a deferred benefit commencing with twenty-five years of service, or at an actuarially reduced amount at age 50 or 55.

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

This pension plan provides the following provisions: Normal Retirement, Deferred Retirement, Service Retirement Allowance, Disability Retirement Allowance, Non-Duty Death Allowance, Duty Connected Death, and Post Retirement Adjustments.

Normal Retirement

Required vesting is ten years under the Village's MERS Plan. A member may retire after reaching the age of 60 with ten or more years of service, age 55 with 15 or more years of credited service (reduced benefit unless Benefit F55 is in effect), or upon reaching 50 with 25 or more years of credited service (reduced benefit unless Benefit F50 is in effect).

Deferred Retirement

A member qualifies for deferred retirement upon termination of membership before age 60, other than by retirement or death, after ten years of credited service. Retirement allowance begins upon application and satisfaction of the requirements of Section 10. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the benefit program in effect as of the date of termination of membership.

Service Retirement Allowance

Credited service at time of termination of membership multiplied by:

Benefit B-2 – 2% times FAC.

Under the Village Plan, FAC-5 (Final Average Compensation over five years or the sixty highest cumulative months) is used. The retirement allowance actuarially is reduced 1/2 of 1 percent for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Disability Retirement Allowance

A member qualifies for total and permanent disability, if disabled while employed by a participating municipality and after acquiring ten or more years of credited service time. The service requirement is waived if the disability is from service connected causes.

The allowance is computed in the same manner as a service retirement allowance except that the actuarial reduction for retirement before age 60 is not applied.

If disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly ten years of credited service if the actually acquired credited service is less than ten years.

Non-Duty Connected Death

If a member or vested former member with ten or more years of service dies before retirement, a monthly survivor allowance may be payable.

A named contingent survivor beneficiary (if any) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. The reduction for retirement before age 60 is not applied.

If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member shall not commence prior to the date the member would have first satisfied a Section 10 age and service requirement for an unreduced service retirement allowance (age 60 under the Village Plan).

The amount of a surviving spouse's retirement allowance shall be 85 percent of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under age 21 will be paid an equal share of 50 percent of the deceased member's or a deceased vested former member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

Duty-Connected Death

A duty death allowance computed in the same manner in all respects as a non-duty death allowance may be payable to a spouse or children if death occurs as the result of performance of duty with a participating municipality. The credited service requirement specified in Section 26 shall be waived. Minimum benefit is 25 percent of the deceased member's final average compensation.

If no retirement allowance becomes payable at death, the member's accumulated contributions (if any) are paid to his or her beneficiary.

The Village makes annual contributions based on the annual actuarial valuations.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Funding Status and Progress (Continued)

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributed to inflation, (c) additional projected salary increases ranging from 0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

At December 31, 2006, the unfunded accrued liabilities were \$119,582 determined as follows:

PENSION BENEFIT OBLIGATION

Retirees and Beneficiaries Currently Receiving Benefits	\$ 98,439
Terminated Employees Not Yet Receiving Benefits	75,317
Current Employees- Accumulated employee contributions including allocated investment income	---
Employer Financed	<u>385,344</u>
TOTAL PENSION BENEFIT OBLIGATION	559,100
Net Assets Available for Benefits at actuarial value (Market value is \$445,666)	<u>439,518</u>
UNFUNDED ACCRUED LIABILITIES (Market value Unfunded Liability is \$114,434)	<u><u>\$ 119,582</u></u>

During the year ended December 31, 2006, the plan experienced a net change of \$8,182 in the pension benefit obligation. There were no changes in actuarial assumptions during the year. The change in the pension benefit obligation resulting from benefit changes, if any, has not been computed.

Contributions Required and Contributions Made

The system's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the credited projected benefits actuarial funding method with proration based on service.

The system uses the level percentage of payroll method to amortize any unfunded liability over a period of 30 years.

Required Supplementary Information: Analysis of Funding Progress

Valuation Date December 31,	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Actuarial Liability	UAL as Percent of Annual Payroll
1992	\$ 62,079	\$ 157,418	254%	\$ -95,339	---%
1993	77,271	174,261	226	-96,989	---
1994	81,572	184,211	226	-102,638	---
1995	86,706	195,025	225	-108,318	---
1996	93,291	208,211	223	-114,919	---
1997	134,401	223,202	166	-88,800	---
1998	201,676	239,080	119	-37,404	---
1999	230,195	265,101	115	-34,905	---
2000	274,000	281,468	103	-7,467	---
2001	314,645	290,795	92	23,850	12
2002	399,288	299,540	75	99,748	46
2003	445,618	327,955	74	117,663	53
2004	497,637	360,843	73	136,794	60
2005	507,836	396,436	78	111,400	57
2006	559,100	439,518	79	119,582	59

Notes: Actuarial assumptions were revised for 1993, 1997, 2000, and 2004 actuarial valuations. The funding method was changed to entry age normal for the 1993 valuation.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

NOTE 8 - JOINT VENTURE

In October 1995, the Village entered into an agreement with the Township of Windsor to create a wastewater treatment plant to serve the residents of the Village and the Township. The existing Village sewer plant was renovated and improved to accommodate the additional users. It was the intent of the Village and Township to create a separate entity to administer the sewer plant when construction was completed. This entity began March 1, 1997, and is a component unit of the Village.

NOTE 9 - ASSESSMENT PAYABLE

In the year ended February 28, 2007, the Village was assessed \$124,000 by the Eaton County Drain Commission for improvements that were made. These improvements are to be repaid over 15 years, with an effective interest rate of 5.35%. Principal of \$8,267 plus interest is due each year at February 28. In the year ended February 28, 2007, the Village paid the first installment of \$8,267, interest of \$6,674 and additional principal of \$25,000. The annual payments were then adjusted to \$6,480.96 plus interest. The total balance due at February 29, 2008 was \$84,252. Future obligations are as follows.

	Principal	Interest	Total
2009	\$ 6,480.96	\$ 4,519.83	\$ 11,000.79
2010	6,480.96	4,160.75	10,641.71
2011	6,480.96	3,814.02	10,294.98
2012	6,480.96	3,467.29	9,948.25
2013	6,480.96	3,129.11	9,610.07
2014	6,480.96	2,773.83	9,254.79
2015	6,480.96	2,427.10	8,908.06
2016	6,480.96	2,080.36	8,561.32
2017	6,480.96	1,738.38	8,219.34
2018	6,480.96	1,386.90	7,867.86
2019	6,480.96	1,040.17	7,521.13
2020	6,480.96	693.44	7,174.40
2021	6,480.52	347.66	6,828.18
	<u>\$ 84,252.04</u>	<u>\$ 31,578.84</u>	<u>\$ 115,830.88</u>

NOTE 10 - BUDGETARY ACCOUNTING

During the year ended February 29, 2008, the Village incurred expenditures that were in excess of the amounts appropriated in the following:

	Budget	Actual	Excess
MAJOR STREETS FUND			
Public Works	\$ 24,445	\$ 25,399	\$ 954
LOCAL STREETS FUND			
Public Works	9,830	10,899	1,069

NOTE 11 - FUND BALANCE

Components of Fund Balance at February 29, 2008 are as follows:

- A) \$716 of fund balance in the General Fund is designated. This amount represents money collected for future improvements on the Cherry Street Drain.
- B) \$626 of fund balance in the General Fund is designated. This amount represents money collected for future Parks and Recreation expenditures.

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Village maintains one Enterprise Fund providing sewer services. Segment information for the year ended February 29, 2008, is as follows:

Operating Revenues	\$ 336,089
Operating Expenses Before Depreciation	292,797
Depreciation	308,072
Operating Income <Loss>	-264,780
Net Earnings <Loss>	-259,922
Total Assets	7,192,236
Long-Term Debt-Payable From Operating Revenue	---
Total Net Assets	\$ 7,174,277

NOTE 13 - RISK MANAGEMENT AND LITIGATION

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At February 29, 2008, no claims exist, and no provision has been entered into the accounting records.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ 310,200	\$ 310,200	\$ 326,248	\$ 16,048
State Grants	108,000	108,000	106,877	-1,123
Charges for Services	---	---	176	176
Interest	12,000	12,000	10,786	-1,214
Other	21,200	21,200	47,256	26,056
Transfers In	---	---	---	---
TOTAL REVENUE	451,400	451,400	491,343	39,943
EXPENDITURES				
General Government	248,700	248,700	228,209	20,491
Public Safety	14,900	14,900	8,758	6,142
Public Works	153,550	155,050	147,143	7,907
Recreation and Culture	20,000	20,000	17,353	2,647
Debt Service	99,000	99,000	11,335	87,665
Capital Outlay	4,000	8,500	8,354	146
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	540,150	546,150	421,152	124,998
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-88,750	-94,750	70,191	164,941
BUDGETARY FUND BALANCE - MARCH 1, 2007	231,613	231,613	231,613	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2008	\$ 142,863	\$ 136,863	\$ 301,804	\$ 164,941

VILLAGE OF DIMONDALE

Major Streets

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
State Grants	66,500	66,500	64,820	-1,680
Charges for Services	1,000	1,000	2,028	1,028
Interest	2,400	2,400	6,009	3,609
Other	---	---	---	---
Transfers In	---	---	---	---
TOTAL REVENUE	69,900	69,900	72,857	2,957
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	24,445	24,445	25,399	-954
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	5,000	5,000	---	5,000
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	29,445	29,445	25,399	4,046
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	40,455	40,455	47,458	7,003
BUDGETARY FUND BALANCE - MARCH 1, 2007	114,739	114,739	114,739	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2008	\$ 155,194	\$ 155,194	\$ 162,197	\$ 7,003

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ ---	\$ ---	\$ ---	\$ ---
State Grants	24,000	24,000	24,011	11
Charges for Services	---	---	---	---
Interest	600	600	407	-193
Other	---	---	---	---
Transfers In	---	---	---	---
TOTAL REVENUE	24,600	24,600	24,418	-182
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	12,730	9,830	10,899	-1,069
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	11,000	13,900	13,842	58
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	23,730	23,730	24,741	-1,011
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	870	870	-323	-1,193
BUDGETARY FUND BALANCE - MARCH 1, 2007	22,393	22,393	22,393	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2008	\$ 23,263	\$ 23,263	\$ 22,070	\$ -1,193

VILLAGE OF DIMONDALE

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

VILLAGE OF DIMONDALE

General Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes	\$ 310,200	\$ 326,248	\$ 16,048
State Shared Revenue	108,000	106,877	-1,123
Eaton County Grant	1,500	1,500	---
Reimbursements	4,000	6,197	2,197
Charges for Service	---	176	176
Interest	12,000	10,786	-1,214
Rentals	5,600	13,274	7,674
CATV Franchise	6,500	6,401	-99
Payroll Administration	3,600	3,600	---
Tap Fee	---	3,500	3,500
Miscellaneous	---	12,784	12,784
TOTAL REVENUE	451,400	491,343	39,943
EXPENDITURES			
GENERAL GOVERNMENT			
Village Council	11,100	9,926	1,174
Village President	2,000	2,530	-530
Elections	---	---	---
Attorney	6,000	3,962	2,038
Clerk's Office	99,950	92,809	7,141
Auditor	1,000	1,000	---
Treasurer	500	263	237
Village Hall and Grounds	7,500	5,325	2,175
Christmas Decorations	1,500	1,377	123
Engineers	750	---	750
Rubbish Collection	41,800	41,555	245
Employee Benefits	69,100	63,363	5,737
Insurance	7,500	6,099	1,401
	\$ 248,700	\$ 228,209	\$ 20,491

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
PUBLIC SAFETY			
Code Enforcement	\$ 2,650	\$ 1,691	\$ 959
Emergency Disaster	5,000	---	5,000
Fire Chief	350	350	---
Planning Commission	6,900	6,717	183
	14,900	8,758	6,142
PUBLIC WORKS			
Public Works	137,050	130,718	6,332
Sidewalks	1,000	1,000	---
Trees	16,000	14,675	1,325
Drains	1,000	750	250
	155,050	147,143	7,907
RECREATION AND CULTURAL			
Parks and Recreation	20,000	17,353	2,647
DEBT SERVICE	99,000	11,335	87,665
CAPITAL OUTLAY	8,500	8,354	146
TOTAL EXPENDITURES	546,150	421,152	124,998
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-94,750	70,191	164,941
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	-94,750	70,191	164,941
FUND BALANCE - March 1, 2007	231,613	231,613	---
FUND BALANCE - February 29, 2008	\$ 136,863	\$ 301,804	\$ 164,941

VILLAGE OF DIMONDALE

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

FEBRUARY 29, 2008

	Major Streets	Local Streets	Totals
ASSETS			
Cash	\$ 156,792	\$ 20,956	\$ 177,748
Accounts Receivable	717	---	717
Prepaid Expenses	---	---	---
Due from State	6,343	2,209	8,552
Due from General Fund	---	---	---
TOTAL ASSETS	\$ 163,852	\$ 23,165	\$ 187,017
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 177	\$ 202	\$ 379
Due to other Funds	1,478	893	2,371
TOTAL LIABILITIES	1,655	1,095	2,750
FUND EQUITY			
Fund Balance - Unreserved	162,197	22,070	184,267
TOTAL LIABILITIES AND FUND EQUITY	\$ 163,852	\$ 23,165	\$ 187,017

VILLAGE OF DIMONDALE

Special Revenue Funds

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED FEBRUARY 29, 2008

	Major Streets	Local Streets	Totals
REVENUE			
Grants	\$ 64,820	\$ 24,011	\$ 88,831
Miscellaneous Services	2,028	---	2,028
Interest	6,009	407	6,416
TOTAL REVENUE	72,857	24,418	97,275
EXPENDITURES			
Public Works	25,399	10,899	36,298
Capital Outlay	---	13,842	13,842
TOTAL EXPENDITURES	25,399	24,741	50,140
EXCESS OF REVENUE OVER EXPENDITURES	47,458	-323	47,135
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	47,458	-323	47,135
FUND BALANCE - March 1, 2007	114,739	22,393	137,132
FUND BALANCE - February 29, 2008	\$ 162,197	\$ 22,070	\$ 184,267

**STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State Grants	\$ 66,500	\$ 64,820	\$ -1,680
Interest	2,400	6,009	3,609
Miscellaneous Services	1,000	2,028	1,028
TOTAL REVENUE	69,900	72,857	2,957
EXPENDITURES			
PUBLIC WORKS			
Routine Maintenance	11,735	12,075	-340
Traffic Services	1,600	1,495	105
Non-motorized	200	117	83
Winter Maintenance	9,910	10,897	-987
Administration	1,000	815	185
CAPITAL OUTLAY	5,000	---	5,000
TOTAL EXPENDITURES	29,445	25,399	4,046
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	40,455	47,458	7,003
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	40,455	47,458	7,003
FUND BALANCE - March 1, 2007	114,739	114,739	---
FUND BALANCE - February 29, 2008	\$ 155,194	\$ 162,197	\$ 7,003

VILLAGE OF DIMONDALE

Local Streets Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
State Grants	\$ 24,000	\$ 24,011	\$ 11
Interest	600	407	-193
Miscellaneous Revenue	---	---	---
TOTAL REVENUE	24,600	24,418	-182
EXPENDITURES			
PUBLIC WORKS			
Routine Maintenance	1,795	1,832	-37
Traffic Services	550	91	459
Non-motorized	150	---	150
Winter Maintenance	6,835	8,726	-1,891
Administration	500	250	250
CAPITAL OUTLAY	13,900	13,842	58
TOTAL EXPENDITURES	23,730	24,741	-1,011
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	870	-323	-1,193
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	870	-323	-1,193
FUND BALANCE - March 1, 2007	22,393	22,393	---
FUND BALANCE - February 29, 2008	\$ 23,263	\$ 22,070	\$ -1,193

3775 Kimmel Road

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Dimondale

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Dimondale, as of and for the year ended February 29, 2008, which collectively comprise the Village of Dimondale's basic financial statements and have issued our report thereon dated April 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Dimondale's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Dimondale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of the Village of Dimondale in a separate letter dated April 23, 2008.

This report is intended for the information and use of the Village council, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

April 23, 2008

Karl L. Drake, P.C.
Certified Public Accountant

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Horton, Michigan 49246

Fax

(517) 937-9333 Phone / 563-2552

Email: kldrake@voyager.net

April 23, 2008

To the Village Council
Dimondale, Michigan

I have recently completed the audit of the books and records of the Village of Dimondale for the year ended February 29, 2008, and would like to take this opportunity to make the following comments and recommendations.

Financial Overview

The General Fund fund balance increased by over \$70,000 in this fiscal year, finishing at \$301,804. State revenue sharing continues to gradually decrease, and property tax revenue continues to increase slightly each year. Expenditures were consistent with prior year levels, and no amounts were transferred to the street funds.

The Major Streets fund balance increased by \$47,458, finishing at \$162,197. There were no significant street projects in the Major Streets fund, but winter maintenance costs were high, due to the harsh winter.

The Local Streets fund balance decreased by \$323, finishing at \$22,070. The severe winter weather caused expenditures to be higher than budgeted, and a street improvement project costing over \$13,000 was completed.

The Sewer Fund retained earnings decreased by \$259,922 in the current fiscal year, finishing at \$7,174,199. The largest expense item was depreciation of prior asset purchases, which was over \$308,000. The fund is in stable financial position, and finished the year with \$95,946 of cash, an increase of \$6,391 over the prior year.

Budgeting

The State of Michigan is scrutinizing the area of budgeting more closely. For years, they have monitored expenditures for overspending. Now they are much more closely monitoring the revenue and fund balance aspects of budgeting as well. The Village has historically done an adequate job of monitoring both revenue and expenditures on a periodic basis, and of making the necessary budget amendments. In this past fiscal year, both the Major Streets fund and the Local Streets fund had expenditures in excess of the amount budgeted.

Accounting Records

Denise Parisian and Betsy Kelly are doing an excellent job of maintaining your books and records. The audit required no adjusting entries, and both were very helpful in answering my questions and tracking down information that I requested.

Thank you for the opportunity to work with the Village of Dimondale. If there are any questions regarding any aspect of the audit, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Karl L. Drake". The signature is written in dark ink and is positioned below the word "Sincerely,".

Karl L. Drake, CPA